Forgivable Loan Programs -versus- Loan Repayment Programs

Program Type	Forgivable Loan (Conditional Grant) Programs	Loan Repayment Programs
Intent	Address workforce shortage issues.	Address workforce shortage issues.
Administrative Method	Provide conditional grants to students while enrolled in college. Staff must develop and collect Promissory Notes (and ensure that all Truth In Lending Act {TILA} requirements are met) and provide counseling to ensure recipients understand obligations. Once the documentation is developed, signed, and returned, staff makes payment to the college on behalf of the recipient. Annual follow-up required while the recipient is in-school to ensure the recipient continues on track to graduation. Upon graduation (and completion of residency, if applicable), annual verification required to ensure obligations are completed. If recipient does not satisfy the requirements of the obligation, recipient enters repayment (historical data shows that, overall, approximately 60% of recipients complete the required obligations; slight variations exist between each forgivable loan program). Staff begins servicing a loan for a 10-year repayment period. Each month, statements are mailed and payments are received and posted to accounts. A separate loan servicing system must be used to ensure proper interest calculations, document tracking, etc. If the borrower does not make required payments, the borrower is sent to collections (at times, the debts are uncollectible).	Repay outstanding student loans after an obligation has been completed by the applicant and verified by staff. The individual graduates from the program of study, obtains a position, and completes the required obligation and applies for funding. State verifies completion with employer, verifies outstanding student loan balance, and makes payment to educational loan lender. Marketing of program availability is key to enticing individuals into workforce shortage areas for this program.
Time Lapse from Appropriation to Impact	6 or more years.	Immediate.
Recruitment	Only at specified colleges or universities.	Anyone that has completed the required program of study and is licensed (if required) to practice in the State of Iowa. Can recruit out of state.
Return on Investment	In the past, a little over 60% of recipients actually completed their obligations.	100% of recipients meet the intent of the program.
Administrative Cost	Approximately 4 times more expensive to administer on a per recipient basis than a loan repayment program.	